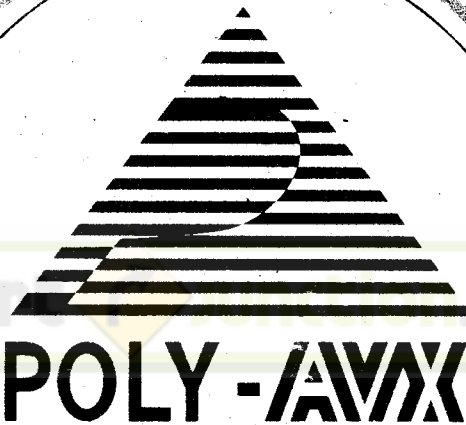


GUJARAT POLY-AVX ELECTRONICS LIMITED

GUJARAT POLY-AVX ELECTRONICS LIMITED



16TH ANNUAL REPORT 2004-2005



GUJARAT POLY-AVX ELECTRONICS LIMITED

SIXTEENTH ANNUAL REPORT 2004-2005

ANNUAL GENERAL MEETING

On Wednesday, the 21st September, 2005
at B-17/18, Gandhinagar Electronic Estate,
Gandhinagar, Gujarat, at 12.30 p. m.

As a measure of economy, copies of the
Annual Report will not be distributed at the Annual
General Meeting. Shareholders are requested
to kindly bring their copies to the meeting.

Board of Directors

Mr. T. R. Kilachand (*Chairman*)

Mr. P. T. Kilachand

Mr. A. H. Mehta (*Executive Director-Finance & Legal*)

Mr. Chandrakant Khushaldas

Brig. K. Balasubramaniam

Mr. A.B.Shah (*GLIC Nominee*)

Mr. R. K. Jani (*GLIC Nominee*)

Company Secretary

Mr. J. M. Shah

Bankers

Bank of Baroda

Auditors

Messrs. C. C. Chokshi & Co.
(*Chartered Accountants*)

Solicitors and

Legal Advisers

Crawford Bayley & Co.

Registered Office and Works

B-17/18, Gandhinagar Electronic Estate,
Gandhinagar 382 024, Gujarat.

Corporate Office

7, Jamshedji Tata Road
Churchgate Reclamation
Mumbai 400 020.

Contents

	Page
Notice	3
Directors' Report	4
Management Discussion	6
Corporate Governance Report	8
Auditors' Report	12
Annexure to the Auditors' Report	13
Balance Sheet	14
Profit and Loss Account	15
Cash Flow Statement	16
Schedules to Accounts	17
Notes forming part of the Accounts	21
General Business Profile	24
Attendance Slip & Proxy	25

SIXTEENTH ANNUAL REPORT 2004-05

NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of GUJARAT POLY-AVX ELECTRONICS LIMITED will be held at B-17/18, Gandhinagar Electronic Estate, Gandhinagar, Gujarat on 21st September, 2005 at 12.30 p.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report and Audited Balance Sheet as at 31st March, 2005 and Profit and Loss Account for the year ended 31st March, 2005.
2. To appoint a Director in place of Brig.K.Balasubramaniam who retires by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri P.T.Kilachand who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri A.H.Mehta who retires by rotation, but being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification/s, the following resolution as an Ordinary Resolution for appointing Auditors for the current year.

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. C.C.Chokshi & Company, Chartered Accountants, Ahmedabad, be and are hereby appointed as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company.

Further Resolved that the Board of Directors be and is hereby authorised to fix the remuneration of the Auditors and reimbursement of travelling and all other out of pocket expenses incurred in connection with the audit.

By Order of the Board of Directors

J.M.SHAH
Company Secretary

Registered Office:

Plot No. B-17/18,
Gandhinagar Electronic Estate
Gandhinagar 382024
Gujarat.

Dated: 8th August, 2005

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY/PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER..
- (b) The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 23rd August, 2005 to Tuesday, 30th August, 2005 (both days inclusive).
- (c) Members holding shares in the dematerialized mode are requested to intimate changes in their address, if any, to their Depository Participants and Members holding shares in physical form are requested to intimate the change of address, if any, immediately to the Registrar & Share Transfer Agents at Sharepro Services (India) Pvt. Ltd., Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099.
Telephone: 022-28215168, 28348218.
Fax : 022-28375646

- (d) The Company's securities are listed on the following Stock Exchange :

Name & Address of the Stock Exchange	Nature of Security
The Stock Exchange, Mumbai Jeejeebhoy Towers Dalal Street, Mumbai 400 023.	85,50,000 Equity Shares of Rs.10/- each

The Company has paid Annual Listing fees for 2004-05 to the above Stock Exchange.

- (e) Members who have not yet exchanged Shares, are requested to exchange Old Share Certificates with New Share Certificates, with the Company.

- (f) **Payment towards fractional coupons entitlements to all such Shareholders have been sent by M.O. through Postal Authorities.**

As required in terms of paragraph VI(A) of Clause 49 of the Listing Agreement, the details of the directors appointed and retiring by rotation and eligible for reappointment are furnished below :

Name of Director	Brig K. Balasubramaniam	Mr. P.T.Kilachand	Mr.A.H.Mehta
Age	77 years	38 years	60 years
Qualification	PTSc (Eq to ME) (Army), FIETE	Sc.B. 'Electrical Engg.' & A.B.'Engg. & Economics from Brown University	B.Com., F.C.A., F.C.S.
Date of Appointment	30.11.1994	11.03.1992	14.09.1989
Expertise	General Management	He served as an Executive Director of the Company for more than 7 years and has been actively involved and looking after all aspects of the various activities of the Company since inception. Experience in Management, Marketing and negotiation with varied authorities	Experience in Audit, Accountancy Secretarial, Legal & Admn., Taxation etc. with Polychem Ltd., Sandeep Holdings Ltd. and Tandon Singapore Pte.Ltd. He has been involved with the Company since its incorporation and is familiar with all aspects of the Company. He has been serving as an Executive Director of the Company since 1.7.2001 and is responsible for Company's finance and legal functions and carries out duties as instructed to him from time to time by the Board of Directors.
Other Directorship in Public Companies (excluding Private Companies) as on 31st March, 2005	Tata Elxsi Limited	Polychem Limited, Ginnars & Pressers Ltd., The Baroda Commercial Corpn.Ltd., Sun Tan Trading Co.Ltd.	Sun Tan Trading Co. Ltd.

By Order of the Board of Directors

J.M.SHAH
Company Secretary

Registered Office:

Plot No. B-17/18, Gandhinagar Electronic Estate
Gandhinagar 382024. Gujarat.
Dated: 8th August, 2005

GUJARAT POLY-AVX ELECTRONICS LIMITED**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors present the Sixteenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2005

1. PRODUCTION ACTIVITIES

During the year there has been an increase in the production of Ceramic Capacitors. Accordingly, the total production for the year is 643.43 Lacs pieces which is 43% higher as compared to production in previous year which was 451.19 Lacs pcs.

2. SALES

Similarly the Sales Turnover for the year was Rs.527.84 Lacs in comparison to Rs.400.42 Lacs during the last Financial Year. Although all types of Ceramic Capacitors recorded an increase in turnover, however, the Average Selling Price were under severe pressure due to intense competition from Imports.

3. FINANCIAL RESULTS

The Company's operations for the year has resulted into loss of Rs. 52.23 lacs compared to loss of Rs.114.94 during previous year. Before interest and depreciation there is surplus of Rs. 155.72 lacs (Previous year : Rs.94.12 lacs). The Company has written off Rs. 1353 lakhs being the difference between the carrying cost in the books of account and fair value in the Profit and Loss account for the year under review as an exceptional item. After Writing Off of extraordinary item i.e. Installed Machinery not commissioned of Rs.1353 lakhs, loss amounts to Rs.1405 lakhs. The Company cannot recommend dividend due to losses.

4. FINANCE

The Company has not received any additional loans from the financial institutions during the year ended 31st March, 2005.

5. FIXED DEPOSITS

The Company has not received any deposits from Public during the year.

6. PARTICULARS OF EMPLOYEES

Provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are not applicable to the Company.

7. PROCEEDINGS BEFORE THE AAIFR

The Company had paid upto 31.12.2002 Rs.351.61 lacs towards principal outstanding dues of Term Lenders leaving the balance of Rs.508.10 lacs payable in instalments by 31.12.2003 and 31.12.2004 as per AAIFR Order dated 27.3.2002. The Company, however, could not pay due to non-satisfactory operation due to various factors beyond the control of Management. The Company, therefore approached term lenders, with a request for modification / revision in the sanctioned Scheme of revival approved by AAIFR, as per revised Repayment Schedule dated 18.11.2004 so as to make balance payment on quarterly instalments by December, 2006. The Term Lenders, on acceptance of the said Schedule, were paid aggregating to Rs.257.93 lacs, leaving the balance of Rs.251.06 lacs payable till December 2006.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO ETC.

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1968, the Report of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo etc. is given in Annexure-I forming part of this report.

9. DIRECTORS

Brig. K.Balasubramaniam, Shri P.T.Kilachand and Shri A.H.Mehta retire from office by rotation but being eligible, offer themselves for reappointment.

10. AUDIT COMMITTEE

Your Company has set-up an Audit Committee of Directors as mandated by section 292(A) of the Companies act, 1956 as amended. Shri Chandrakant Khushaldas, Brig.K.Balasubramaniam and Shri P. T. Kilachand are the members of the Audit Committee.

11. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that :

- (i) in the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures;
- (ii) the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

12. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement a separate report on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance are annexed to the Directors' Report.

13. AUDITORS' REMARKS

As regards the remarks in the Auditors' Report, please refer to the Notes on Accounts which are self-explanatory.

14. APPOINTMENT OF AUDITORS

You are requested to appoint Auditors. The retiring Auditors M/s.C.C.Chokshi & Co., Chartered Accountants, Ahmedabad are eligible for re-appointment.

15. ACKNOWLEDGEMENT

Your Directors express their sincere thanks to the Central and State Government authorities, including Gujarat Industrial Investment Corporation Ltd., Bank and Financial Institutions and the Collaborators Kyocera-AVX Corpn of USA.

Sincere thanks are also due to the Management team, the staff and workers for their valuable contribution during this critical period of the Company.

On behalf of the Board of Directors,

T. R. KILACHAND
Chairman

Registered Office :

Plot No. B-17/18
Gandhinagar Electronic Estate
Gandhinagar 382 024
GUJARAT.

Dated : 8th August, 2005

SIXTEENTH ANNUAL REPORT 2004-05

ANNEXURE I

A. CONSERVATION OF ENERGY

- a) Energy conservation steps taken :
 - i) The A.C. Plant Utilities connected to stand alone chiller which reduce the high consumption of energy of A.C.Plant.
 - ii) Chilled water utilization on different machines made to maximum capacity.
 - iii) Plant maintenance schedule which lead better output of the machines at low consumption of energy.
- b) Additional Investments & Proposals being implemented :
 - i) Maximum usage of utility plant / machinery for better conservation of energy.
 - ii) Scheduled maintenance programme for effective maintenance of the A.C.Plant.
- c) Impact of measures at (a) & (b) above:
The above programmes have resulted in the cost saving, better productivity & also the cost saving of the material and also in the energy conservation.
- d) Power & Fuel Consumption : Not Applicable

B. TECHNOLOGY ABSORPTION

FORM - B

1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY

- i) Introduction of lead free product on the line.
- ii) Development of spare for manufacture of Metal Oxide Varistor.
- iii) Trials carried out for Axial line raw material.

2. BENEFITS DERIVED AS A RESULT OF ABOVE R & D

- i) High productivity at low cost.
- ii) Obtain better efficiency of the machine.
- iii) Maintain Quality concept of the Company.
- iv) Reduce the cost of raw material.

3. FUTURE PLAN OF ACTION

- i) Continuous indigenization of other raw materials, Jigs and Tools for Single Layer Ceramic Capacitors, Multi Layer Ceramic Capacitors & other products manufacturing.
- ii) Continuous development of Jigs & Fixtures / Tools for replacement of imported spares of various machines.
- iii) To develop products similar to our present range of products.

4. EXPENDITURE OF R & D

Negligible

TECHNOLOGY - ABSORPTION, ADAPTATION & INNOVATION

- (1) (a) Technology Absorption
Technology Absorption is complete in the areas commissioned.
- (b) Adaptation
The system have been modified to adapt to Indian environment as a part of continuous Quality Improvement Programme.
- (c) Innovation
Better Methodology & systems have lead to overall improvement in the process.

(2) BENEFITS

- i) As a result of above improved the process and reduce the down time of the machine.
- ii) Service & delivery standards to the customers improved with minimum customer returns on Technical grounds.

(3) IMPORTED TECHNOLOGY

No additional import of Technology in the Financial Year 2004-2005.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i) Total Foreign Exchange used : Refer note of 13(e) of Schedule 16
- ii) Total Foreign Exchange earned : Rs.NIL

GUJARAT POLY-AVX ELECTRONICS LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Overview**

Your Company was incorporated in the year 1989 in collaboration with AVX Ltd., USA. As you may be aware your Company manufactures Ceramic Capacitors in Radial, Axial, Surface Mount Devices Configuratio and Singlelayer (Disc.) Ceramic Capacitors, & is one of the largest manufacturers of Ceramic Capacitors in India.

Industrial Structure and Development

Your company has a wide customer base servicing broadly the following market segments:

- (1) Telecommunications
- (2) Computer & Computer Peripherals
- (3) Instrumentation and Industrial Electronics
- (4) Consumer Electronics
- (5) Defence
- (6) Dealers

The Telecommunication Industry and Instrumentation & Industrial Electronic Industry are the fastest growing segments in the country which require our Ceramic Capacitors.

Opportunities and Threats

Electronic Passive Components are the building blocks of any electronic equipment & Ceramic Capacitors is one of the most commonly used electronic components. Ceramic Capacitors are typically popular for their wide range and miniature size. Your company supplies components to a variety of customers in the above mentioned segments and is hopeful of strengthening our present customer base and improve Market Share.

The liberalization policies of Government of India have hit the component industry as a whole and our industry in particular and is likely to impact on the prospects of the Company.

Free imports (0% custom duty) have led to import of components at extremely competitive prices. Consequently, the Average Selling Prices have been severely hit.

Risks & Concerns

The opening of the economy has led to import of technologies. Imports are easier and has led to increase in kit culture. This can have an adverse impact on the growth of our customer base.

Performance by Sector and Products

During the year there has been a significant increase in the Production of Ceramic Capacitors over previous year. Mobile Telephony continued to grow with imported Technologies in both GSM & CDMA. Except for the Telecommunication segment, all other segments recorded a growth.

Consequently, the total production during Financial Year 2004-05 was 643.43 Lacs pcs. against 451.19 Lacs pcs. previous year which is 43 % higher than last year.

Similarly the Sales Turnover during the Financial Year 2004-05 also recorded a growth of 32 % with a sales of Rs. 527.84 Lacs in comparison to Rs.400.42 Lacs previous year.

Outlook

With the above possibilities, the Directors are hopeful of increasing the Sales Turnover of the Company.

The Company is cautiously optimistic about the growth prospects for the current Financial Year.

Internal Control System and their Adequacy

Gujarat Poly-AVX Electronics Ltd. has adequate system of internal controls to ensure all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

Your Company has nominated Internal Auditors who evaluate all financial and operating system control of the company. The Internal Auditors also review the internal controls to ensure Accounts of the Company are maintained and transactions are in accordance with the prevailing laws and regulations.

Internal Audit findings and recommendations are reviewed by the top management and the Audit Committee of the Board. The Committee reviews the quarterly, half yearly and annual financial statements before these are submitted to the Board and ensures compliance of internal control system.

FINANCIAL PERFORMANCE**Reserves & Surplus**

During the year under review there has been no changes in the capital reserves of the company which stands at Rs. 29,75,000/-.

Secured Loans

The Company had paid upto 31.12.2002 Rs.351.61 lacs towards principal outstanding dues of Term Lenders leaving the balance of Rs.508.10 lacs payable in instalments by 31.12.2003 and 31.12.2004 as per AAIFR Order dated 27.3.2002. The Company, however, could not pay due to non-satisfactory operation due to various factors beyond the control of Management. The Company, therefore approached term lenders, with a request for modification / revision in the sanctioned Scheme of revival approved by AAIFR, as per revised Repayment Schedule dated 18.11.2004 so as to make balance payment on quarterly instalments by December, 2006. The Term Lenders, on acceptance of the said Schedule, were paid aggregating to Rs.257.93 lacs, leaving the balance of Rs.251.06 lacs payable till December 2006.

SIXTEENTH ANNUAL REPORT 2004-05**Fixed Assets (Net Block)**

The Net Block as on 31.3.2005 is Rs. 985 lacs compared to Rs. 1109 lacs for previous year. The net block has gone down due to depreciation / adjustment for the year.

Investments

The Company has not made any investments during the year.

Net Current Assets

The net current assets of the Company have reduced from Rs.305.86 lacs to Rs. 172.93 lacs.

Results of operations

The revenue during the year has increased from Rs.400.42 lacs to Rs. 527.84 lacs mainly due to growth in the sale to Instrumentation and Industrial Electronics. The loss for the year is Rs. 52.23 lacs compared to loss of Rs. 114.93 lacs in the previous year. Provisions

for interest and financial charges are Rs. 79.62 lacs compared to Rs. 80.63 lacs during previous year.

Payment to and provisions for employees amounts to 12.93% of sales compared to 16.25% in the previous year. Depreciation amounts to 24.31% of Sales during the year compared to 32.07% in the previous year.

The Company cannot recommend dividend due to losses.

Material Development in Human Resources

POLY-AVX's key business strategy has been to empower every employee to be a leader in its stride towards total quality. The Company's strength lies in its human resources & total employee involvement with emphasis on effective communication, continuous on-going training and regular upgradation of each individual's performance/skill.

Report  junction.com